

DEPARTMENT OF THE NAVY
Naval Sea Systems Command
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NAVSEA
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NAVSUP
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JOINT LETTER

From: Commander, Naval Sea Systems Command
Commander, Naval Supply Systems Command

Subj: NAVAL SEA SYSTEMS COMMAND/NAVAL SUPPLY SYSTEMS
COMMAND INDUSTRIAL SUPPORT PERFORMANCE-BASED
LOGISTICS (PBL) MEMORANDUM OF AGREEMENT (MOA)

1. Background: In 1996, a NAVSEA/NAVSUP Corporate Memorandum of Understanding (MOU) was developed to provide supply/material support for Naval Shipyards (NSYs). The original stated goal of the partnership was "to reduce supply management costs while maintaining or improving the level of support to (industrial) customers." This previous Partnership MOU was executed locally with Memorandum of Agreements (MOAs) between respective FISCs and NSYs. This joint letter outlines a strategic direction for the NAVSEA-NAVSUP material management Partnership and revises the original NAVSEA-NAVSUP MOU dated 31 January 1996. This agreement applies to the Naval Sea Systems Command (NAVSEA) and its Naval Shipyards (NSYs), and the Naval Supply Systems Command (NAVSUP) enterprise.

This Partnership Agreement reflects development of an enterprise approach to material support at Naval Shipyards, and includes a National, Performance-Based-Logistics (PBL) approach which provides the foundation and measures of effectiveness for all other agreements, including local agreements. Elements in this Partnership Agreement are consistent with NAVSEA's Policies and Goals for Naval Shipyard Material Management, and NAVSUP's Strategic Plan for Industrial Support (Objective 1.4.3). Terms of the Partnership are defined by the Naval Shipyards material support performance requirements.

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NAVSUP is overall responsible for, and will execute an enterprise approach to managing NSY material requirements to the performance standards referenced herein.

2. Strategic vision: The NAVSUP enterprise supporting Naval Shipyards will perform and manage material functions to the goal of ensuring neither material availability nor supply support (service) adversely impacts the NSY mechanics' productive time. NAVSEA's Strategic Goal for Naval Shipyard material management is to "continuously improve Naval Shipyard material processes" in order to:
- Maximize planned material onhand by A-0 (availability start).
 - Minimize production impact to the mechanic during execution via inefficient material processes and material churn.
 - Minimize Average Customer Wait Time (ACWT) and delivery to the NSY mechanic for planned, unplanned and emergent requirements before and after A-0.
 - Minimize the generation and holding of excess material.

Performance of these tenets is measured with NAVSEA's Naval Shipyard Corporate Material Metrics and NAVSUP's birdtrack metric.

3. Functions and Performance Requirements:

a. Requirements: The following elements are the broad Shipyard material management performance requirements, consistent with NAVSEA's strategic goal for Naval Shipyard material management above, that define this Partnership Agreement:

- Minimum 90% of planned material onhand at A-0, ready for delivery to the mechanic based on 30 days lead-time for requirements. NAVSEA will provide timely, accurate requirements during availability planning, and will support a forecasting process for industrial material. Measured with NAVSEA Naval Shipyard Corporate Material Metric #1.

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- Dedicated management of both material not onhand by A-0 and any defective material received, by project as documented by Naval Shipyards' quarterly "Critical Material Support Issues" letter.
- Two hour delivery of urgent material requirements from retail material inventory onhand during availability execution (from call out of "kitted" material through delivery to the mechanic).
- At least 60% of CHURN (any material requirements after A-0 other than 'new work' or 'growth work') will be sourced from NSY Shop Stores or other local retail inventory available to support the two hour urgent material delivery requirement (stated above). Measured with NAVSEA Naval Shipyard Corporate Material Metric #2.
- Achieve jointly agreed upon Average Customer Wait Times (ACWT) for all requirements during availability execution. ACWT and associated service levels will be measured with NAVSUP's birdtrack metric.
- Maintenance of a daily "critical material hot list." Material requirements during execution will receive 'rapid response' expediting attention and be reported to the NSY C200.
- Non-standard units of issue will be managed, billed, and maintained on all inventory items.
- A Central Industrial Support Team will be maintained within the NAVSUP enterprise as a single focal point for all NSY material support issues.
- Excess material will be managed incrementally (turned-in upon completion of work). The NAVSEA Corporate goal for excess cost is 5% and is measured with NAVSEA Corporate Material Metric #5. Excess material turn in and redistribution will be budgeted for annually by each NSY to support the write-off of 5% total material used annually. NAVSUP enterprise

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will reuse or dispose of this excess material via the most economical means.

- Responsive Quality Deficiency Report (PQDR/SDR) management. All PQDRs require prompt attention and feedback to the originator within established timeframes. Number of critical deficient material issues reported versus number addressed will be measured with the Naval Shipyard Executive Summary Corporate Material "Hot Sheet."

- Support of NAVSEA Board of Director (BOD) established "13 Tenets" of material management as specified in separate documentation.

Partnership performance in meeting the PBL requirements listed above will be reviewed at least semi-annually by NAVSEA 04L and the respective NSY Material Process Owners (currently NSY C200's and NSY/FISC C500's). This performance can be addressed in a forum such as the Corporate Material PAT (CMP) with results communicated to both NAVSEA and NAVSUP leadership for consideration at that time (SEA-SUP Management Oversight Board review detailed below). Update to the stated performance requirements will be accomplished as required from this input as well as from other joint SEA-SUP coordination. Additionally, the local Business Case Analyses (BCAs) will be reviewed to assess the value of the Partnership under the new terms stated herein. This BCA review will be concluded prior to one year after signature of this agreement.

b. Functions: Material management functions that may be performed by the NAVSUP enterprise in support of NSYs include, but are not limited to, the following:

- Centralized industrial supply support
- Requisition processing
- Procurement and Purchase Card Program Support
- Expediting
- Receiving, receipt control
- Warehousing
- Staging/kitting
- Shop Stores material management

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- Local Delivery/transportation
- Depot Level Repairable (DLR) management
- Disposition of excess material
- Shipping, packing and preservation
- Inventory management, physical inventory

Nuclear supply functions will be performed as directed by the Shipyard Nuclear Materials Manager (Code 500N). Common services listed above may be used for nuclear material support as agreed to by the Nuclear Materials Manager.

4. Oversight and Review:

NAVSUP is responsible and accountable for execution of NSY material management functions based on policy approved by a joint "Management Oversight Board" (MOB) consisting of SUP 04, NAVICP OS, SEA04L, SEA04X, a representative NSY Commander and a representative FISC Commanding Officer. The MOB will review NAVSEA 04L and NSY Material Process owner reports including metrics and performance standards at least semi-annually.

NAVSUP has authority, as NAVSEA's agent for material support, to effect changes in material management processes as necessary to include national initiatives such as: centralized procurement, coordination of Partnerships, etc. This authority includes coordination of regional FISCs supporting NSYs and the Portsmouth Naval Shipyard Supply Department Code 500, via NAVSEA 04 and CINCLANTFLT, who is not directly affiliated with a regional FISC.

5. Funding: Local execution of the Partnership will be funded on an annual reimbursable basis. Funding for out-years will be determined during the review of the Agreement and Partnership performance and will be based on most recent budgeted workload, service levels, and requirements.

6. Dissolving the Partnership: An 'exit clause' is provided for either partner in the event of unresolved issues within the current Partnership Agreement, specifically for repeated non-achievement of performance

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requirements, or for any service provider deficiency or default. NAVSEA 04 can make this determination annually with recommendation from NSY customers when reimbursable funding is negotiated and the Partnership is assessed as described in paragraph 3.

7. Execution: NSY Commanders and FISC Commanding Officers, or other NAVSUP enterprise cognizant persons, are responsible for execution of performance objectives listed herein. This Partnership will remain in effect from the date of signature and will be reviewed at least semi-annually as stated in paragraph 4.



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